GOVERNMENT OF INDIA
PETROLEUM AND NATURAL GAS
LOK SABHA

UNSTARRED QUESTION NO:1697
ANSWERED ON:23.08.2007
SUPPLY OF GAS TO POWER AND FERTILIZER INDUSTRY
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Will the Minister of PETROLEUM AND NATURAL GAS be pleased to state:

(a) the amount of gas required for power and fertilizer industry and its pricing structure along with subsidies involved;

(b) the steps taken to ensure supply of gas from different sources to fertilizer units on priority basis for sustainable growth and to meet increasing needs of fertilizers in the agriculture sector;

(c) whether the Government proposes to work out terms and conditions of supply of Reliance gas for power and fertilizer plants and evolve a rate structure with minimum or no subsidization in rates of gas supplies; and

(d) if so, the details thereof?

Answer

MINISTER OF THE STATE IN THE MINISTRY OF PETROLEUM & NATURAL GAS (SHRI DINSHA PATEL)

(a): The requirement of natural gas for power and fertilizers sector for the year 2007-08 has been estimated as 79.7 Million Standard Cubic Metre per Day (MMSCMD) and 41.02 MMSCMD in the Report of Working Group on Petroleum & Natural Gas for the XI Plan.

The basic price of gas supplied to consumers of these sectors in the North-East under the Administrative Price Mechanism (APM) is Rs. 1920 per Metric Standard Cubic Metre (MSCM). The basic price for consumers of these sectors in the rest of the country under the APM is Rs. 3200/MSCM. The mentioned gas prices are for net calorific value (NCV) of 10000 K. cal per SCM. Consumers of Power and Fertilizers sector also use gas from Joint Ventures; the price of JV gas is governed in terms of the provisions of Production Sharing Contracts (PSCs) signed by the JVs with Government of India. The consumers of Power and Fertilizers sector also use Re-gasified Liquefied Natural Gas (RLNG); while the price of LNG imported under term contracts is governed by the Sale Purchase Agreement (SPA) between the LNG seller and the buyer, the spot cargoes are purchased on mutually agreeable commercial terms.

(b): The availability of natural gas in the country has been much less than the demand, which has impacted upon the supply of natural gas to fertilizers units. The Government is taking the following steps to increase the availability of natural gas in the country:

(i) Intensification in domestic E&P activities;
(ii) Exploitation of Coal Bed Methane (CBM) gas;
(iii) Implementation of Natural Gas Hydrate Programme (NGHP) for evaluation of hydrate resources and their possible commercial exploitation;
(iv) LNG Import; and
(v) Gas sourcing through transnational gas pipelines.

Fertilizers units, as also power units, small scale consumers (i.e., those consuming 50,000 Standard Cubic Metres per Day or lesser) and court mandated customers, are being supplied natural gas by ONGC and OIL under Administrative Price Mechanism (APM). Even amongst these, Fertilizers and Power Units are given priority.

(c) & (d): The Government has constituted an Empowered Group of Ministers to consider issues pertaining to pricing of natural gas produced in the country.